

COMMISSION FOR HIGHER EDUCATION

Friday, August 10, 2012

DECISION ITEM B-1: Wang Hall Lease –Purdue University West Lafayette

Staff Recommendation

That the Commission for Higher Education recommend approval to the State Budget Agency and the State Budget Committee the following project: *Wang Hall Lease– Purdue University West Lafayette*. Staff recommendations are noted in the staff analysis.

Background

By statute, the Commission for Higher Education must review all projects to construct buildings or facilities costing more than \$500,000, regardless of the source of funding. Each repair and rehabilitation project must be reviewed by the Commission for Higher Education and approved by the Governor, on recommendation of the Budget Agency, if the cost of the project exceeds seven hundred fifty thousand dollars (\$750,000) and if any part of the cost of the project is paid by state appropriated funds or by mandatory student fees assessed all students. Such review is required if no part of the project is paid by state appropriated funds or by mandatory student fees and the project cost exceeds one million five hundred thousand dollars (\$1,500,000). A project that has been approved or authorized by the General Assembly is subject to review by the Commission for Higher Education. The Commission for Higher Education shall review a project approved or authorized by the General Assembly for which a state appropriation will be used. All other non-state funded projects must be reviewed within ninety (90) days after the project is submitted to the Commission.

The Trustees of Purdue University seeks authorization to proceed with a long-term lease at Wang Hall located on the West Lafayette campus. The lease of 30 years, with two 5 year renewal options will allow for the expansion of research space for the School of Electrical and Computer Engineering. The space will be dedicated to research activities only. The expected cost of the lease includes an \$18 million upfront payment, annual rent of \$1 per year, and annual operating costs estimated at \$373,000 per year.

Supporting Document

Wang Hall Lease – Purdue University West Lafayette, June 8, 2012.
Wang Hall Lease Agreement (DRAFT)

**WANG HALL LEASE
PURDUE UNIVERSITY WEST LAFAYETTE**

Project Description

DESCRIPTION OF THE PROJECT

Purdue University West Lafayette will sublease a portion of the "Seng-Liang Wang Hall ," part of the Hayes Triangle District Development, a mixed-use commercial development led by the Purdue Research Foundation along Northwestern Avenue in West Lafayette adjacent to the Purdue University campus. The university will sublease a portion of the facility to provide laboratories, offices, conference rooms, and support facilities for the Purdue School of Electrical and Computer Engineering.

The terms of the sublease include an initial period of 30 years to be followed by two extension periods of five years each, for approximately 41 ,047 square feet in the 139,217 gross square feet facility. Funding for the sublease will include a payment of \$18 million in the form of prepaid rent, with an additional annual rent payment in the amount of one dollar per year. The sources of funding for the sublease include \$14.8 million in gift funds, and \$3.2 million from the Capital Reserve for Buildings.

This facility will provide a significant upgrade to existing research laboratories, offices, conference rooms, and support facilities for the faculty, staff, and graduate students of the School of electrical and Computer Engineering.

<u>Program</u>	<u>Room Type</u>	<u>Assignable Square Feet</u>	<u>Percent of Total ASF</u>
Research	Office	7,738	24%
Research	Non-Class Labs	17,209	53%
Research	General Use	3,384	12%
Research	Support	3,391	11%

IMPACT ON EDUCATION SERVICES

The mission of the Purdue School of Electrical and Computer Engineering is "To serve and lead the state of Indiana, the nation, and the world-wide profession of electrical and computer engineering by educating the next generation of engineers, by discovery that advances fundamental knowledge and its applications, and by innovation and engagement that addresses global challenges of societal impact."

In keeping with its mission, the School of ECE has one of the largest undergraduate programs, and the largest graduate program, on the Purdue campus. The School of ECE at Purdue is among the top three EE/ECE departments nationally in the number of students it graduates each year. During the 2008/2009 academic year, 218 Bachelor Degrees, 86 Masters Degrees, and 58 PhD Degrees were awarded to Purdue ECE students. The School is consistently ranked in the top ten of the best national electrical engineering departments and receives even higher rankings by representatives of the corporations that hire engineering graduates. The School alumni excel worldwide as entrepreneurs, corporate leaders, researchers, inventors, and educators. The School of Electrical and Computer Engineering also has the largest research program on the Purdue campus. Research is being performed on the cutting edge of fields ranging from nanotechnology and photonics to communications and computing.

It is the vision of the Purdue School of ECE to simply "be recognized world-wide for field defining research, for leadership and excellence in education, and for our impact on society"- Key strategies supporting this vision include "multidisciplinary research with global reach" and "investing in infrastructure to facilitate success."

The construction of Wang Hall embodies the stated strategies by making available world-class facilities consisting of an Energy Sources and Systems Research Complex, a Fields and Optics Research Complex, and a VLSI Laboratory Complex. Inherently multi-investigator in nature, research afforded by the complexes will see utilization by a core group of some twelve ECE professors and their students.

LONG TERM PLANS

Current long-term plans for the facility call for leasing the space for 25 years, followed by up to three 5-year extensions. There are no current plans to purchase the facility by Purdue University.

COOLABORATION

As a mixed-use development, the owner/lessor intends to utilize the advantageous location to lease space to retail commercial entities that foster interaction with Purdue University staff and students who will occupy the leased space, and other Purdue related foot traffic in the area. While no specific entity exists currently, it is possible that some space in the facility will be leased to a company conducting private research that might be related to research being conducted by ECE staff in the facility.

STAFF ANALYSIS

The proposed lease of space at the Wang Hall will allow PUWL and the School of Electrical and Computer Engineering to expand and improve research opportunities. Rather than build a free standing research facility owned and operated by PUWL, this collaborative effort will provide valuable research space at a much lower cost to build and operate.

The lease cost per square foot (assuming \$18 million for 40 years) is approximately \$11 per square foot. PUWL noted that leasing space in West Lafayette, especially for research purposes, are significantly higher than the lease cost associated with Wang Hall. In addition, PUWL notes to build a free standing structure with similar parameters as Wang Hall could cost between \$20 million to \$25 million. Expenses for operations and repair/rehabilitation would be incurred with a free standing building, whereas PUWL would only pay for operational costs of Wang Hall. Operational costs of \$373,000 annually (estimated) will be funded through the School of Electrical and Computer Engineering operating funds.

The leased space at Wang Hall will be focused solely on research activities. No classes or academic instruction will be provided in the space. However, graduate students conducting research will utilize the facility alongside faculty from the school. Other space located in Wang Hall will be used for retail purposes (1st floor); possible research conducted by private companies and other commercial purposes. The overall facility will not be owned by PUWL, however the land is owned by the Purdue Research Foundation.

The total cost of the lease, including operational costs estimated by PUWL, could reach \$33 million over the 40 year period. \$18 million will be financed up front by PUWL through gift funds (\$14.8 million) and Capital Reserve for Buildings (\$3.2 million) which include indirect cost recovery funds

from research support. This upfront payment will help finance the construction of Wang Hall. The total operating costs over the 40 year period could reach \$15 million depending on utilization by PUWL in the leased space. As noted earlier, research support related to the School of Electrical and Computer Engineering will cover all operational costs. If, for any reason, research funding is unavailable or ceases to exist, PUWL may vacate the leased space with no financial penalty.

Staff recommends the Commission provide a favorable review of this proposed lease agreement.